



Informing Progress - Shaping the Future

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The European Commission's proposed revision of the Package Travel Directive and its potential impact on the travel insurance industry:

Last week the European Commission proposed reform of the Package Travel Directive from which the United Kingdom's Package Travel Regulations are derived.

The new Directive aims at Enhanced Consumer Protection. The proposed revision aims to significantly strengthen consumer protection for travellers, particularly in crisis situations.

This includes:

1. **Robust Insolvency Protection:** The Directive would require organisers and suppliers to provide stronger financial guarantees to protect travellers in case of insolvency. This would ensure that travellers receive refunds or alternative arrangements in the event of a tour operator or other service provider going bankrupt.
2. **Clarity on Linked Travel Arrangements:** The Directive would provide clearer definitions and rules for linked travel arrangements, which are combinations of separate travel services that do not qualify as a package under the current definition. This would help to ensure that travellers are adequately protected even in cases where they book individual travel components rather than a traditional package.
3. **Streamlined Information Requirements:** The Directive would simplify and consolidate information requirements for package holidays, making it easier for travellers to understand their rights and entitlements. This would also reduce the administrative burden on tour operators and other travel service providers.
4. **Clearer Rules and Alignment with Passenger Rights Regulations:** The Directive would clarify certain rules and ensure alignment with existing passenger rights regulations,

such as those related to flight cancellations and delays. This would provide greater consistency and clarity for travellers across different modes of transport.

Potential Impact on Travel Insurance -

The proposed revisions to the Directive are likely to have several implications for the travel insurance industry:

1. **Adjustments to Insurance Offerings:** Insurance providers may need to adjust their travel insurance products to align with the revised Directive's enhanced consumer protection measures. This could involve extending coverage for insolvency protection, clarifying exclusions, and providing more tailored options for specific travel scenarios.
2. **Increased Demand for Travel Insurance:** Improved consumer protection and clearer information requirements could lead to an increase in demand for travel insurance. Travellers may be more inclined to purchase insurance if they feel confident that it will cover them in a crisis situation and that they have clear understanding of their rights.
3. **Competition and Innovation:** The changes to the Directive could stimulate competition and innovation within the travel insurance sector. Insurers may develop new products and services to cater to the evolving needs of travellers and align with the revised regulatory framework.
4. **Emphasis on Transparency and Guidance:** Insurance providers will need to provide clear and transparent information about their policies and exclusions to comply with the Directive's requirements. This will enhance consumer understanding and reduce the risk of disputes or misunderstandings.

In, the proposed revision of the Package Travel Directive is a significant step towards enhancing consumer protection in the European travel sector.

While the specific impact on the travel insurance industry will depend on the final implementation of the Directive, the changes are likely to drive adjustments to insurance offerings, increase demand for travel insurance, stimulate innovation, and emphasise transparency among insurance providers.

The European Commission's new Directive on package travel regulations will impact the insurance industry by requiring businesses that sell package travel to take out insolvency protection. This protection ensures that in case of bankruptcy, the guarantor, which can be a travel guarantee fund, insurance company, or any other mechanism, can refund the payments made by customers and, if required, repatriate them.

The Package Travel Directive (2015/2302/EU) https://e-justice.europa.eu/611/EN/package_travel_directive_90314 aims to protect consumers who purchase package holidays by making organisers responsible for all services in the packages

they sell, and it applies to both European and foreign traders selling travel packages to European travellers.

The new Directive creates a level playing field and a fair internal market, impacting the dynamics between the European organiser and the local DMC or supplier, especially in terms of liability.

The impact of the new directives on the insurance industry is significant, as businesses will need to comply with the requirement for insolvency protection, which could have significant financial and operational consequences across the market.

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